

TEA-21 Authorizes Record Funding for Highways and Transit Through 2003

Funding increases sharply for the Nation's highways and transit programs. New legislation encourages local involvement in planning rural transportation. "Welfare-to-work" programs and Appalachian roads have received significant funding.

In June 1998, Surface Transportation programs were reauthorized, sharply increasing money for Federal-aid highways, highway safety, and transit programs. The Transportation Equity Act for the 21st Century, or TEA-21, is the single largest public works bill in U.S. history, authorizing \$218 billion in funding for highway, highway safety, and transit programs over 6 fiscal years (1998-2003), a 40-percent funding increase over the Intermodal Surface Transportation Efficiency Act of 1991 (ISTEA), which provided funding for highways, highway safety, and transit for the previous 6-year period (1992-97) (fig. 1). TEA-21 authorizes \$177 billion for the Nation's most important highways and highway safety programs and \$41 billion for transit programs during 1998-2003. In fiscal year 1999, \$28.2 billion is authorized for highway funding.

TEA-21 authorizes increased funding for several important rural development programs, including rural transit, bridges, Appalachian roads, and welfare-to-work initiatives. TEA-21 also encourages local officials and State officials to better coordinate their individual transportation needs. Thus, rural transportation interests may be better represented.

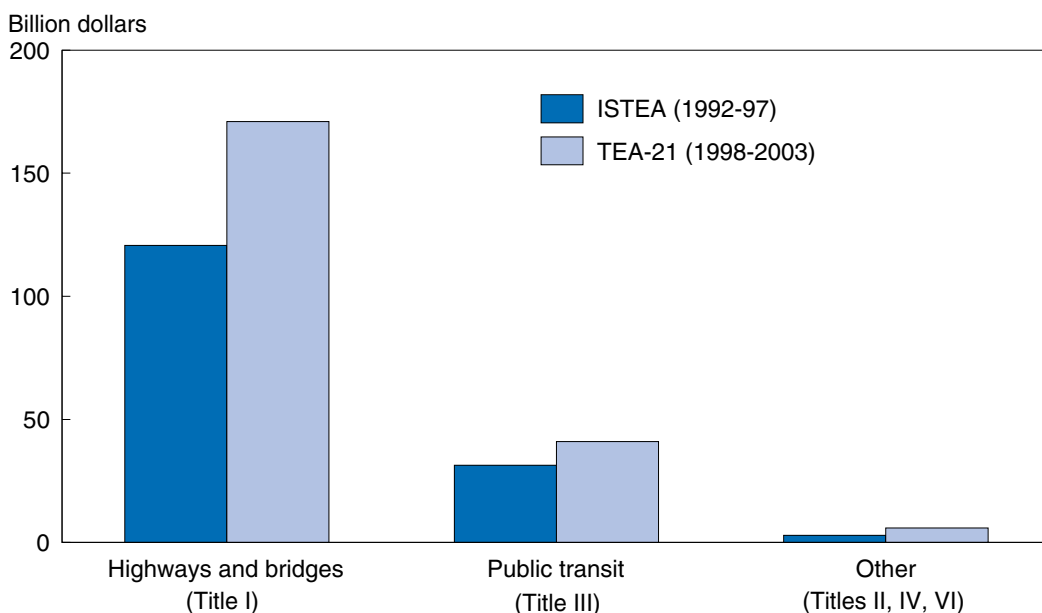
New State Aid Formula and Sharp Increase in Highway Funding May Benefit Rural Areas

Under TEA-21, as a result of the higher overall funding level, funding increases for every State, except Massachusetts (which was given special funding under the previous highway legislation). On average, the annual apportioned amount received by States grows by 44 percent. Federal highway aid goes to States, which then decide how to use the money based on their individual priorities, subject to Federal eligibility requirements.

Figure 1

Total funding for selected transportation programs under TEA-21 versus ISTEA

Funding increases under TEA-21 for highways, transit, and transportation programs



Source: U.S Department of Transportation.

TEA-21 guarantees that each State receives at least a 90.5-percent return of the share of the highway money it has contributed to the Trust Fund. It especially benefits the 20 States that have received less than a 90.5-percent return on the percent of funds contributed to the Trust Fund under ISTEA. Many of these States have large numbers of rural residents.

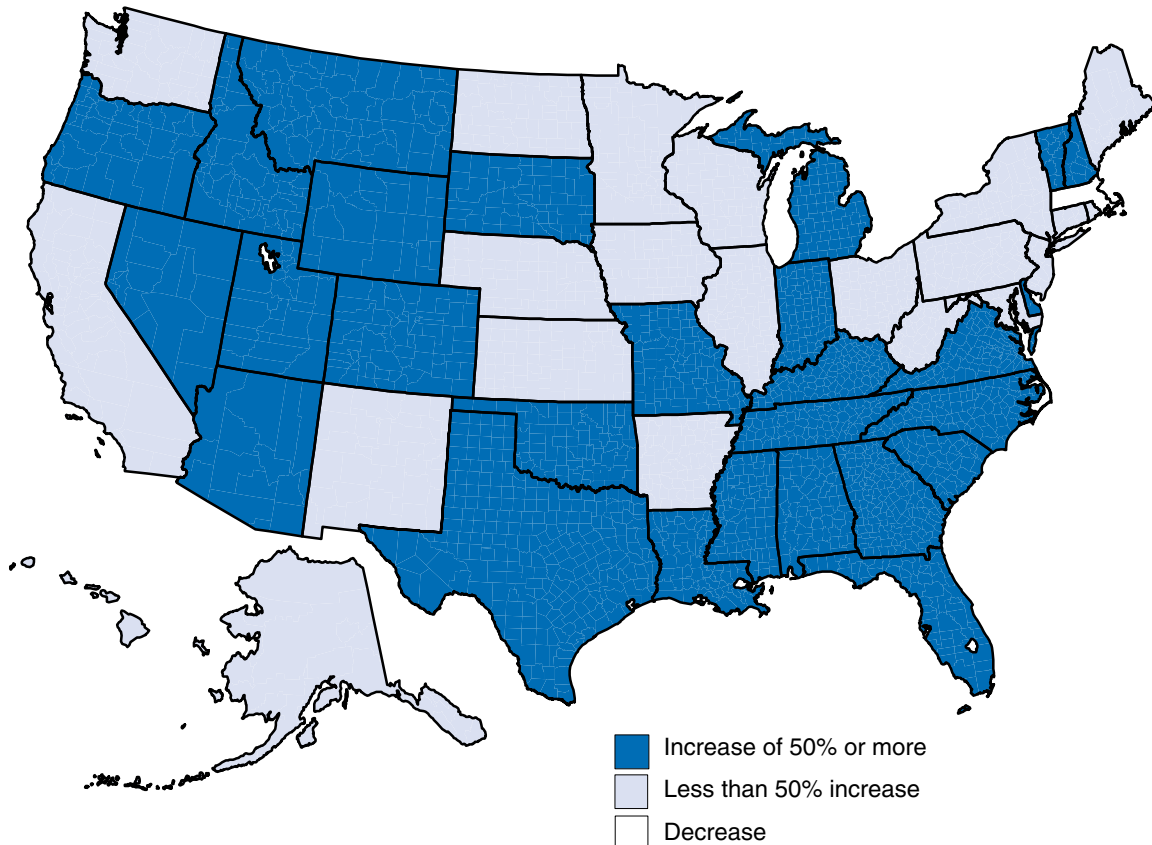
Many of the States with the largest funding increases are located in the South, where services and manufacturing are important nonmetro industries (fig. 2). The South also has a large concentration of poverty. Large funding increases have also gone to much of the Rocky Mountain West, where States with many Federal lands are located. These increases will likely benefit the region's remote rural communities, which depend heavily on highways. Most of the Midwest farming States have received relatively small increases in aid. Per capita funding for 1999 is highest for States in parts of the West, the Plains, the South, and New England (fig. 3).

TEA-21 encourages more consultation between local officials and State officials in planning transportation needs, requiring that, "each State shall, at a minimum, consider, with respect to nonmetropolitan areas, the concerns of local elected officials." The new provision is significant because it requires rural involvement in transportation planning issues, which should help rural areas to compete more equally with urban areas. TEA-21 authorizes the use of regional development organizations (although not mandated), which could help foster more effective participation of rural interests in the planning process.

Figure 2

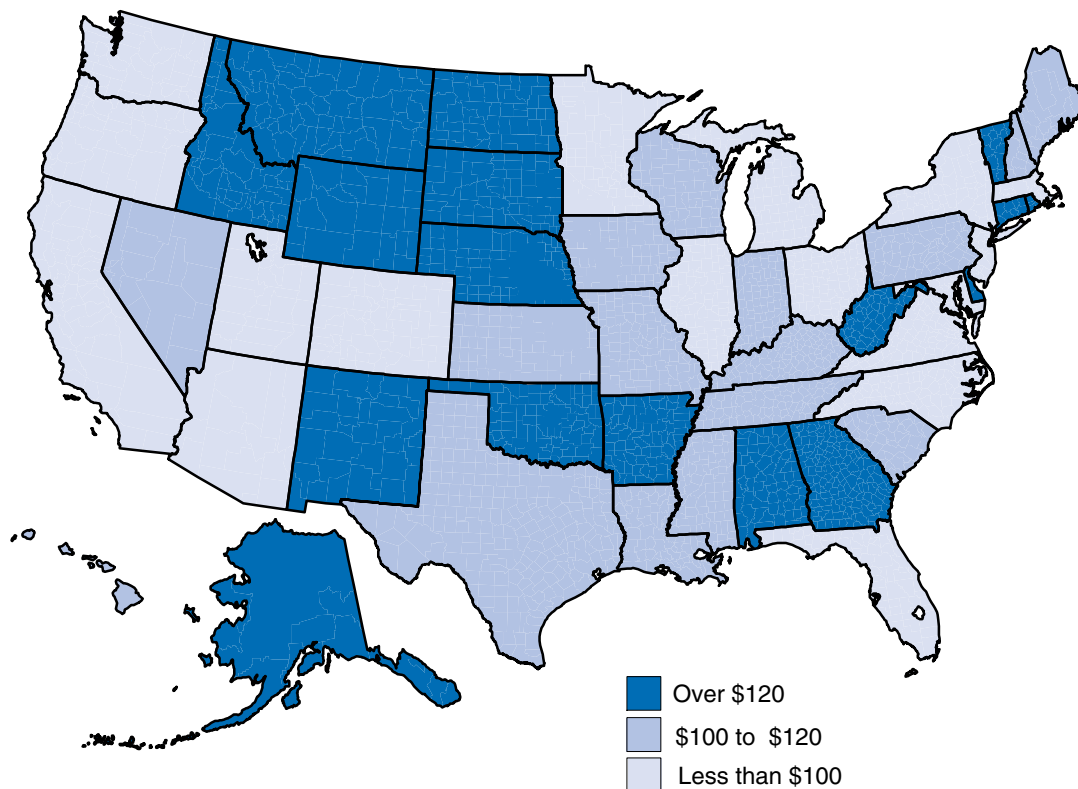
Percentage change in State transportation funding under TEA-21 versus ISTEA

States in the South and Rocky Mountain West receive highest funding increases



Source: Senate Environment and Public Works Committee.

Aid is highest in parts of the West, the Plains, the South, and New England



Source: Calculated by the Economic Research Service using data from the U.S. Department of Transportation and the Census Bureau.

The new legislation also supports innovative financing methods, including loans and lines of credit, which are designed to encourage public and private funding of construction projects.

Continuing as a separate program with its own funding is the Bridge Replacement and Rehabilitation program, which provides \$3.4 billion in 1999 for eligible bridges on public roads (table 1). With over 31 percent of the Nation's 582,000 bridges (those that are at least 20 feet in length) rated as either structurally or functionally deficient, this program is an important source of funds for those rural areas with bridges in need of repair. TEA-21 also authorizes \$10 million in 1999 (subject to appropriations) for preserving and rehabilitating historic covered bridges, which are primarily located in rural areas.

TEA-21 continues highway aid for the smallest rural communities under the Surface Transportation Program (STP) substate distribution requirement that targets a percentage of STP funding to nonmetro areas with populations less than 5,000. TEA-21 also requires that a percentage of funds be reserved for areas under 200,000 population, which benefits nonmetro areas nationwide (as well as smaller metro areas).

TEA-21 provides \$450 million in 1999 for the Appalachian Development Highway System, a program that provides aid for the construction of highways and access roads in Appalachia. Funding for this program may benefit rural industries located in Appalachia, such as mining and manufacturing, as well as tourism, recreation, and service industries. The new legislation also provides \$23.5 million in 1999 for the National Scenic Byways Program, which offers technical assistance and grants to States for the development of recreational use roads, which are located primarily in rural areas.

Table 1

Federal funding for selected transportation programs under TEA-21 by fiscal year
New programs promote welfare-to-work initiatives and international trade

Program	1999	1998-2003
Billion dollars		
Bridge Replacement and Rehabilitation Program	3.40	20.43
National Historic Covered Bridge Preservation Program ¹	.01	.05
Appalachian Development Highway System	.45	2.25
National Scenic Byways Program	.02	.15
Section 5311 (Rural Transit)	.18	1.18
Rural Transportation Accessibility Incentive Program	.00	.02
Rural Transit Assistance Program	.01	.03
Access to Jobs Program	.15	.75
Transportation and Community and System Preservation Pilot Program	.02	.12
National Corridor Planning and Development and Coordinated Border Infrastructure Program	.14	.70

¹Not available until appropriated.

Source: U.S. Department of Transportation. 1998. *Transportation Equity Act for the 21st Century: Moving Americans into the 21st Century*.

TEA-21 continues to fund “transportation enhancement” (TE) activities (environmental, recreational, and general development activities) through a 10-percent set-aside from STP funds. Some have argued that TE funding takes scarce resources away from rural (and urban) highway needs by using money for programs other than roads and bridges. Others contend that enhancements are important for rural businesses, and that greater flexibility is needed in allowing their use for a wider variety of economic development projects. TEA-21 allows a State to transfer a portion of its TE funds to other programs.

A new provision in TEA-21 allows States to reserve slots for welfare recipients in On-the-Job Training programs that lead to positions in skilled highway construction trades. The welfare recipients will also have access to supportive services programs that provide pre-employment counseling, orientation to the requirements of the highway construction industry, basic skills improvement, assistance with transportation, child care, or other special needs, jobsite mentoring, and post-graduation followup. Rural areas with high levels of poverty should particularly benefit.

Rural Transit Programs Receive Record Funding

In recent years, lack of public transportation has emerged as an important issue for rural areas. For many rural households, lack of transportation limits access to employment opportunities and health and child care, and reduces the choices available when shopping for food and other items. Labor shortages have been increasingly common in hospitality, foodservice, and other industries in close proximity to rural areas with surplus labor, and the pressure under welfare reform to find jobs for welfare recipients there has increased. These factors have combined to bring attention to public transportation needs in rural areas.

TEA-21 increases 1999 funding for the main rural transit program (Formula Grants for Other than Urbanized Areas, also known as section 5311) by 32 percent over 1998 levels to nearly \$180 million, which is almost double the percentage increase received by urban transit programs. Funds for this program are apportioned in relation to each State's nonurbanized population and can be used for capital transit projects, operating expenses, and meeting State and project administration requirements. In 1990, Pennsylvania, Texas, and North Carolina had the largest nonurban populations.

Rural transit's share of funds available under the transit funding formula increased 16 percent. For the first time in the program's history, total transit funding increases are largely guaranteed or "walled-off," assuring an estimated 80-percent return on authorized funding levels. Funding increases will likely benefit those rural residents who use transit as a means of getting to and from medical appointments, child care facilities, and jobs. In particular, rural businesses, such as those in the service industry, that look upon public transit as a source of transportation for their workers, will likely benefit. Nonmetro service-dependent counties are found throughout the Nation, with significant clusters located in parts of the West and the Midwest.

The new legislation provides \$2 million in 1999 for the Rural Transportation Accessibility Incentive Program, which supports "over-the-road" bus service. This program helps bus operators finance capital and training costs incurred in complying with U.S. Department of Transportation regulations on intercity bus service. Funding may be used for intercity fixed-route over-the-road bus service and other over-the-road service, such as local fixed-route, commuter, charter, and tour service. Funding for this program is to be distributed through a competitive grant selection process. TEA-21 also provides \$5.3 million in 1999 for the Rural Transit Assistance Program, which promotes delivery of safe and effective transit service in rural areas.

New under TEA-21 is the Access to Jobs program, which makes available \$150 million in 1999 for transit assistance to provide access to jobs. Under this program, 20 percent (\$30 million) is reserved for rural areas (with populations less than 50,000). Important considerations in allocating funds include the number of welfare recipients in the target area, the extent to which applicants demonstrate coordination with existing public and human services transit agencies, and the degree of innovativeness of specific approaches.

Other Rural Provisions

New under TEA-21 is the \$20 million (1999) Transportation and Community and System Preservation Pilot Program, which provides aid for improving local and State transportation systems. Under the program, States and local governments can receive discretionary grants for planning and implementing strategies to improve the efficiency of transportation systems, reduce the need for future infrastructure spending, mitigate negative effects of transportation on the environment, and ensure efficient access to jobs. This planning-based assistance should be particularly helpful in promoting sustainable community development in rapidly growing rural areas.

TEA-21 authorizes a new Railroad Rehabilitation and Improvement Financing program to provide credit assistance, in the form of direct loans and loan guarantees, to public or private sponsors of intermodal and rail projects. Although the legislation does not provide specific budget authority, it authorizes future appropriations and contributions from poten-

tial borrowers and other non-Federal sources to fund the credit assistance, with a limit of \$3.5 billion on outstanding loans and guarantees. Eligible projects include the acquisition, development, improvement, or rehabilitation of intermodal or rail equipment or facilities, including track, bridges, yards, buildings, and shops. Rural areas with rail facilities in need of repair may benefit from this program.

A new National Corridor Planning and Development and Coordinated Border Infrastructure Program coordinates the planning, design, and construction of transportation corridors of national significance. The purpose of this program is to use transportation corridors to promote economic growth through interregional and international trade by improving the safe movement of people and goods at or across the U.S.-Canadian and U.S.-Mexican borders. Total funding for this program is \$140 million in 1999. *[Dennis Brown, 202-694-5338, dennisb@econ.ag.gov]*